



## Mains Practice Question

**Q.** The growing influence of money laundering on financing terrorism and organized crime poses a significant threat to India's internal security. Discuss. **(250 words)**

17 Jul, 2024 GS Paper 3 Internal Security

### Approach

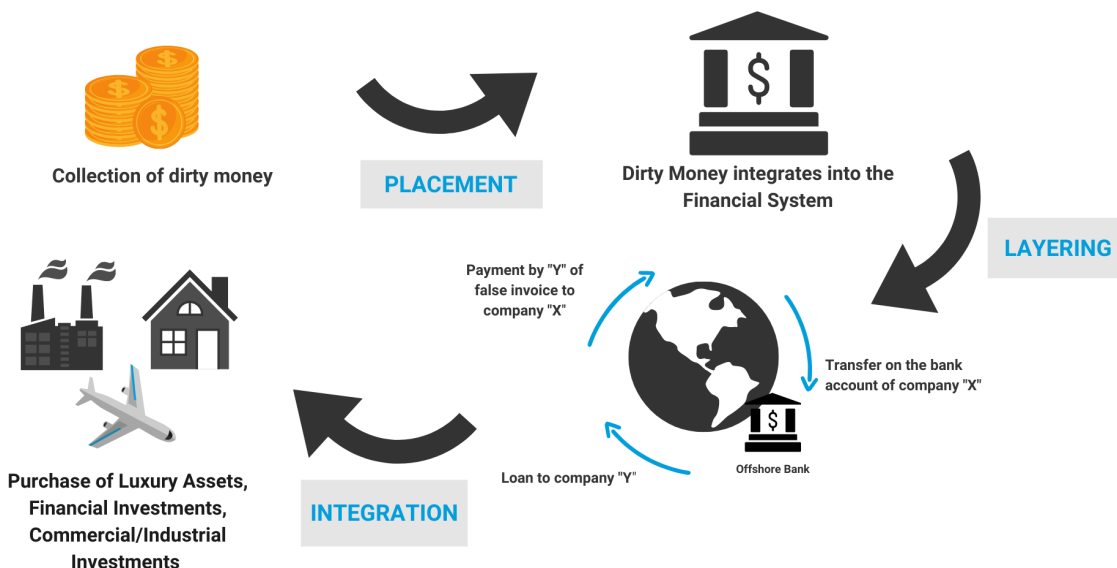
- Introduce by defining money laundering and link with organized crime and terrorist networks
- Delve into the role Money Laundering in Terrorism Financing and its impacts
- Highlight the role of Money Laundering in Organized Crime and its impacts
- Conclude suitably.

### Introduction

**Money laundering**, the process of disguising the illegal origin of funds, poses a significant threat to India's internal security. It acts as a **pernicious lifeblood for organized crime and terrorist networks**, enabling them to operate with impunity and destabilize the nation.

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### Money Laundering Cycle



### Body

- **Money Laundering on Terrorism Financing**

- **Funding Channels:**
  - **Hawala networks:** Informal value transfer systems operate outside traditional banking channels, as evidenced by the 2022 **National Investigation Agency (NIA)** bust of terror funding networks in Jammu and Kashmir.
  - **Cryptocurrency transactions:** The anonymity of digital currencies is exploited, as seen in the Bengaluru **Cafe terror attack** case where ISIS-linked funding networks operating through crypto platforms.
  - **Shell companies and front businesses:** Legitimate-appearing entities disguise illicit funds, exemplified by the **Enforcement Directorate's (ED)** 2024 investigations into the **Popular Front of India (PFI)** for alleged terror financing.
- **Impact on Internal Security:**
  - **Sustaining terrorist infrastructure:** Providing resources for training camps and logistical support, as revealed in ongoing investigations into Northeast militant groups in **Manipur and Nagaland (2021-2023)**.
  - **Facilitating recruitment and radicalization:** Funding propaganda efforts and offering financial incentives, a tactic observed in PFI's alleged activities across multiple states.
  - **Enabling procurement of weapons and explosives:** Acquiring sophisticated weaponry, as seen in cross-border terrorism cases.
- **Money Laundering and Organized Crime:**
  - **Key Areas:**
    - **Drug trafficking:** Laundering profits from narcotics trade, particularly from the **Golden Crescent and Golden Triangle regions**, as evidenced by multiple Narcotics Control Bureau operations.
    - **Cybercrime:** Laundering funds obtained through ransomware attacks and online fraud, exemplified by the **ED's 2023 action against Chinese loan apps** involved in money laundering.
    - **Real estate:** Using property investments to integrate illicit funds, as seen in numerous cases investigated by the Income Tax Department and ED across major Indian cities.
  - **Impact on Internal Security:**
    - **Corruption and Political Instability:** Organized crime and money laundering fuel corruption, leading to political instability and eroding public trust in governance.
      - **Example:** The **2G spectrum scam involved large-scale money laundering**, resulting in political upheaval and loss of public confidence in the political system.
    - **Undermining Law Enforcement:** Criminal organizations involved in money laundering often have significant resources to evade law enforcement, making it difficult to control and prevent organized crime.
      - **Example:** The **Dawood Ibrahim crime** syndicate successfully laundered money, eluding law enforcement agencies and continuing its criminal activities from abroad.
    - **Economic Distortion:** Money laundering distorts the economy by diverting resources from legitimate to illegitimate activities, **affecting economic growth and stability**.

## Way Forward

- **Strengthening Financial Regulations:** Implementing stricter KYC (Know Your Customer) norms and reporting suspicious transactions.
  - The **PMLA (Prevention of Money Laundering Act)** can be further strengthened to address the evolving tactics of money launderers.
- **Enhancing Law Enforcement Capacity:** Training and equipping law enforcement agencies to investigate and prosecute money laundering effectively using **Artificial intelligence and machine learning**.
  - Special units can be established within law enforcement agencies to focus specifically on investigating money laundering activities.
- **Public Awareness Campaigns:** Educating the public on money laundering techniques and how to report suspicious activity.

- Public awareness campaigns can help citizens identify and report suspicious financial transactions, hindering money laundering activities.
- **International Collaboration:** Sharing information and intelligence with other countries to disrupt transnational criminal networks.
  - India's enhanced participation in organizations like the **Financial Action Task Force (FATF)** is crucial for international cooperation in combating money laundering.

## Conclusion

The **fight against money laundering is a continuous battle**, requiring constant adaptation to evolving criminal tactics. India's future security hinges on its ability to foster closer international cooperation, leverage cutting-edge technologies for financial intelligence, and promote financial inclusion to curb reliance on informal channels.

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